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INFO RUEHLO/AMEMBASSY LONDON PRIORITY 2091
RUEHKO/AMEMBASSY TOKYO PRIORITY 4172
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RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)
SUBJECT: (C) SAKHALIN ENERGY SEEKS QUIET WITHDRAWAL OF EXIM
APPLICATION

Classified By: Ambassador William J. Burns for reasons 1.4 (b) and (d)

¶1. (C) Shell has informed us that it and the other Sakhalin-2 partners (Gazprom, Mitsu and Mitsubishi) are reconsidering their need for export credit guarantees from a consortium of three export credit agencies: U.S. EXIM, the UK's ECGD, and Japan's JBIC. On February 5, the partnership, Sakhalin Energy Investment Corporation (SEIC) convened a shareholders meeting at which the decision to unwind the long-running applications to the three agencies was unanimously agreed. (Note: EBRD had been a fourth guarantor but pulled out in ¶2007. End Note.) Our contacts in Shell tell us that Gazprom and the Japanese firms, however, had two conditions, that the package be redone as a bilateral deal with JBIC and that the process be done quietly.

¶2. (C) According to our Shell sources, SEIC needs time to unwind the legal and financial links in the current multilateral package in order to transform it into a bilateral package with JBIC. To that end, we understand that SEIC subsequently contacted EXIM, ECGD, and JBIC requesting a delay in any pending decisions on the applications. We understand SEIC also verbally communicated to EXIM (and presumably the others) its intention to withdraw the applications from EXIM and ECGD while still going forward with the JBIC loan application.

¶3. (C) Shell informed us on February 8 that SEIC intends immediately to visit JBIC at the CFO level to begin restructuring a JBIC-only package. (Note: JBIC would be the guarantor of by far the largest portion of the \$6.7 billion in export credit guarantees sought by SEIC.) SEIC hopes this process can be complete by the end of April.

¶4. (C) The Ambassador discussed these developments with his British and Japanese counterparts this week, and they agreed that a non-public, graceful closure of the applications is the best way forward at this time. The Japanese Ambassador stressed that JBIC has always intended to go through with its financing and would appreciate U.S. and UK support for a quiet exit by EXIM and ECGD.

¶5. (C) Post urges Washington agencies to support a delay in EXIM's decision on this application and to keep the process non-public and smooth while pressing SEIC to bring this "managed exit" to a conclusion as quickly as legalities and fiduciary responsibilities permit.
BURNS